

## Message Text

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14

ACTION EUR-12

INFO OCT-01 EB-07 ISO-00 /020 W  
----- 010556

R 181559Z FEB 76  
FM AMEMBASSY MOSCOW  
TO SECSTATE WASHDC 0069  
INFO USDOC WASHDC  
AMEMBASSY BONN  
AMEMBASSY PARIS

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USDOC FOR BEWT/TDAD  
E.O. 11652: N/A  
TAGS: ETRD, EEWT, UR, WG, FR  
SUBJECT: SALZGITTER-SOVIET CONTRACT FOR CHEMICAL PLANT

1. DURING CONVERSATION WITH COMMERCIAL ATTACHE FEBRUARY 17, FRG EMBOFF PROVIDED SOME INFORMATION ON CONTRACT SIGNED FEBRUARY 5 BETWEEN FRG FIRM SALZGITTER AND TEKHMAHIMPORT FOR SUPPLY OF PLANT TO PRODUCE ETHYLENE GLYCOL. TOTAL VALUE OF CONTRACT IS SLIGHTLY LESS THAN 200 MILLION DM AND FINANCING WILL BE PROVIDED BY USUAL GROUP OF MAJOR GERMAN BANKS. ACCORDING TO FRG EMBOFF, CONTRACT PROVIDES FOR PAYMENT ON "MORE THAN 100 PERCENT COMPENSATION BASIS," AS INTEREST RATE ON CREDIT WILL ALSO BE REPAYED IN FORM OF DELIVERIES OF ETHYLENE GLYCOL.

2. COMPETITION ON THIS CONTRACT CAME FROM FRENCH ENGINEERING FIRM TECHNIP. INTERESTINGLY, BOTH SALZGITTER AND TECHNIP PROPOSALS WERE BASED ON TECHNOLOGY SUPPLIED BY U.S. FIRM SCIENTIFIC DESIGN.

3. COMMENT: IN DISCUSSING THIS CONTRACT WITH FRENCH COMMERCIAL OFFICER, COMMATT WAS ADVISED THAT MAJOR POINT OF DIFFERENCE BETWEEN FRENCH AND FRG PROPOSALS WAS UNWILLINGNESS OF FRENCH FIRMS TO AGREE TO 100 PERCENT COMPENSATION PAYMENT. FRENCH COMMOFF OBSERVED THAT, AS FAR AS CHEMICAL PLANTS CONCERNED, COMPENSATION PROJECTS APPEAR TO BE "WAVE OF FUTURE" AND SAID THAT FRENCH FIRMS WOULD HAVE TO BE MORE FLEXIBLE IN FUTURE IF THEY

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HOPED TO OBTAIN LARGE CONTRACTS IN USSR. FRG EMBOFF SAID HIS

AUTHORITIES WERE NOT TERRIBLY HAPPY OVER REPAYMENT ARRANGEMENTS  
BUT REGARDED CONTRACT AS USEFUL AND TIMELY IN VIEW OF SALZGITTER'S  
FINANCIAL CONDITION. AS STATE-OWNED COMPANY, SALZGITTER WOULD  
PRESEUMABLY BE ELIGIBLE FOR FINANCIAL ASSISTANCE FROM BUDGETARY  
SOURCES AS REQUIRED, AND SOVIET CONTRACTS MIGHT SERVE TO REDUCE  
SUCH REQUIREMENTS.  
SOTESSEL

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CHEMICAL INDUSTRY, COMPENSATION, INDUSTRIAL PLANTS, CONTRACTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 18 FEB 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** morefirh  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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